

LAKEFIELD TOWNSHIP
BASIC FINANCIAL STATEMENTS
June 30, 2004

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

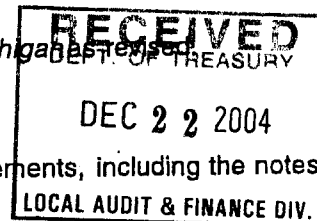
Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <u>Lakefield Township</u>	County <u>Luce</u>
Audit Date <u>June 30, 2004</u>	Opinion Date <u>October 29, 2004</u>	Date Accountant Report Submitted to State: <u>December 20, 2004</u>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan*.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes or in the report of comments and recommendations



You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <u>Anderson Tackman & Company PLLC, CPAs</u>			
Street Address <u>16978 S. Riley Avenue</u>	City <u>Hinckeloe</u>	State <u>MI</u>	ZIP <u>49788</u>
Accountant Signature <u>Anderson Tackman & Co. PLLC</u>			

LAKEFIELD TOWNSHIP

ELECTED OFFICIALS

TOWNSHIP SUPERVISOR

RICHARD BROW

TOWNSHIP TREASURER

HELEN RICHARDS

TOWNSHIP CLERK

ARTHUR WILLIAMS

TOWNSHIP TRUSTEE

MICHAEL FRENCH

TOWNSHIP TRUSTEE

RICHARD PLESSCHER

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ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

PHILLIP J. WOLF, CPA, PRINCIPAL
SUE A. BOWLBY, CPA, PRINCIPAL
KENNETH A. TALSMA, CPA, PRINCIPAL

DEANNA J. MAYER, CPA

MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

INDEPENDENT AUDITORS' REPORT

Board of Trustees of
Lakefield Township, Michigan

We have audited the accompanying financial statements of the governmental activities and major fund, of Lakefield Township, Michigan as of and for June 30, 2004, which collectively comprises the Township's basic financial statements as listed in the Table of Contents. These basic financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit. .


We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of Lakefield Township, Michigan as of June 30, 2004, and the respective changes in financial position, where applicable, for the year ended in conformity with accounting principles generally accepted in the United States of America.

Lakefield Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments as of July 1, 2003. This results in a change in the format and content of the basic financial statements.

The budgetary comparison on page 19 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted primarily of inquires of Management regarding the methods of measurements and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

The Township has not presented Management's Discussion and Analysis information that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the basic financial statements.


Anderson, Tackman & Company, PLC
Certified Public Accountants

October 29, 2004

Basic Financial Statements

Lakefield Township, Michigan

Statement of Net Assets

June 30, 2004

Governmental Activities

ASSETS:

Current Assets

Cash

\$ 319,303

Due from State

12,228

Total current assets

331,531

Noncurrent Assets

Capital Assets (Net of Accumulated Depreciation)

59,750

TOTAL ASSETS

\$ 391,281

LIABILITIES:

Accounts Payable

\$ 6,945

NET ASSETS:

Invested in Capital Assets

59,750

Unrestricted

324,586

TOTAL NET ASSETS

\$ 384,336

Lakefield Township, Michigan

Statement of Activities For the Year Ended June 30, 2004

Functions/Programs	Expenses	Program Revenues		Governmental
		Charges for		Activities
		Services		Net (Expense)
				Revenue and
				Changes in Net
				Assets
Governmental Activities:				
Legislative	\$ 14,028	\$ -	\$ (14,028)	
General Government	54,160	7,194	(46,966)	
Public Safety	11,500	-	(11,500)	
Health and Welfare	875	-	(875)	
Public Works	16,658	-	(16,658)	
Other Expenses	4,290	-	(4,290)	
Total Governmental Activities	101,511	7,194	(94,317)	
General Revenues:				
Taxes			40,530	
State Revenue Sharing			84,056	
Other			13,139	
Investment Earnings (Loss)			3,758	
Total General Revenues			141,483	
Change in Net Assets			47,166	
Net Assets - Beginning			337,170	
Net Assets - Ending			\$ 384,336	

See accompanying notes to financial statements.

Lakefield Township, Michigan

Balance Sheet Governmental Funds June 30, 2004

	<u>General</u>
ASSETS:	
Cash	\$ 319,303
Due from State	<u>12,228</u>
TOTAL ASSETS	<u><u>\$ 331,531</u></u>
LIABILITIES:	
Accounts Payable	<u>\$ 6,945</u>
FUND BALANCES:	
Unreserved	<u>324,586</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 331,531</u></u>
Reconciliation to amounts reported for governmental activities in the statement of net assets:	
Capital assets used by governmental activities	<u>59,750</u>
Net assets of governmental activities	<u><u>\$ 384,336</u></u>

Lakefield Township, Michigan

Statement of Changes in Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds For the Year Ended June 30, 2004

	General
REVENUES:	
Taxes	\$ 40,530
State Sources	84,056
Charges for Services	7,194
Interest & Rentals	3,758
Other Revenue	13,139
	<hr/>
TOTAL REVENUES	148,677
	<hr/>
EXPENDITURES:	
Legislative	14,028
General Government	54,160
Public Safety	11,500
Public Works	16,658
Capital Outlay	4,290
	<hr/>
TOTAL EXPENDITURES	100,636
	<hr/>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	48,041
FUND BALANCES, JULY 1	276,545
	<hr/>
FUND BALANCES, JUNE 30	\$ 324,586
	<hr/>

Lakefield Township, Michigan

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended June 30, 2004

Net Changes in fund balances – total governmental funds \$ 48,041

The change in net assets reported for governmental activities in the
Statement of Activities is different because:

Governmental funds reported capital outlays as expenditures.
However, in the statement of activities, the cost of those assets
is capitalized and the cost of those assets is allocated over their
estimated useful lives and reported as depreciation expense.
This is the amount by which depreciation expense, (\$875) exceeded
capital outlay (\$0).

(875)

Changes in net assets of governmental funds \$ 47,166

Lakefield Township, Michigan

Statement of Fiduciary Net Assets Fiduciary Fund June 30, 2004

	<u>Agency Fund</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 2,478
TOTAL ASSETS	<u>\$ 2,478</u>
<u>LIABILITIES</u>	
Due to other governments	\$ 2,478
TOTAL LIABILITIES	<u>\$ 2,478</u>

Notes to the Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Lakefield Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities. The following is a summary of the significant accounting policies used by the Township:

A – Reporting Entity:**Financial Reporting Entity**

Lakefield Township ("The Township") is a regular law Michigan township located in the eastern portion of Michigan's Upper Peninsula.

The Township operates under an elected Board of Trustees and provides services to its residents in many areas including fire protection, community enrichment and development and health services.

The Township, for financial purposes, includes all of the activities relevant to the operations of Lakefield Township. The financial statements herein do not include agencies which have been formed under applicable State laws or separate and distinct units of government apart from Lakefield Township.

B – Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C – Measurement Focus, Basis of Accounting and Financial Statement Presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of account, as are the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Taxes Receivable – Current or Property Taxes

The Lakefield Township property tax is levied on each December 1st on the taxable valuation of property (as defined by State statutes) located in the Lakefield Township as of the preceding December 31st.

Although the Lakefield Township 2003 ad valorem tax is levied and collectible on December 1, 2003, it is the Lakefield Township's policy to recognize revenue from the current tax levy in the subsequent year or the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2003 taxable valuation of the Lakefield Township totaled \$34,731,500, on which ad valorem taxes levied consisted of .9556 mills for the Township operating, \$32,292. This amount is recognized in the General Fund financial statements tax revenue.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Township reports the following major governmental fund:

General Fund

This is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Additionally, the Township reports the following fund types:

Agency Funds

Agency Funds are used to account for assets held by the Township as an agent for individuals, private organizations, other governments, and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The tax collection fund is the Township's only Agency Fund.

All other revenue items are considered to be available only when cash is received by the government.

Private-sector standards of accounting issued prior to December 1, 1989 are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's tax collection function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D - Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income from all funds and is allocated to each fund based on average cash balance. Deposits are recorded at cost.

Receivables – All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Inventories and Prepaid Items – All inventories, including the cost of supplies, are expensed when purchased. Expenditures for insurance and similar services are expensed when paid.

Capital Assets – Capital assets, which include property, plant, and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building Improvements	15 to 30 years

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Deferred Revenues – Deferred revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants and Other Intergovernmental Revenues – Federal grants and assistance awards for all governmental type funds are recorded as intergovernmental revenue in accordance with the terms of the representative grants.

Use of Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the reporting period. Actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information – Annual budgets are adopted on a basis consistent with U.S. generally accepted accounting principles.

Budgets and Budgetary Control – The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Each June, after receiving input from the individual departments, the Township Board prepares a proposed operating budget for the fiscal period commencing July 1 and lapses on June 30. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to July 1, the budget is legally enacted through a resolution passed by the Township Board.
- d. Budgetary control is exercised at the departmental level of the General Fund. Any revisions that alter the total expenditures of any department or fund (i.e., budget amendments) require approval by the Township Board. Such amendments are made in accordance with the procedures prescribed under Public Act 621 of 1978.
- e. The budget and approved appropriations lapse at the end of the fiscal year.
- f. The Township does not record encumbrances in the accounting records during the year as normal practice and, therefore, no outstanding encumbrances exist at year end.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

Budgeted amounts are as originally adopted or amended by the Township Board during the year. Individual amendments were not material in relation to the original appropriations which were amended. The modified accrual basis of accounting is used for budgetary purposes.

The General Fund revenue budget was adopted on the basis of activities or programs financed by the General Fund.

Michigan Public Act 493 of 2000 requires that budgets be adopted for General and Special Revenue Funds. U.S. generally accepted accounting principles require that the financial statements present budgetary comparisons for the Governmental Fund Types for which budgets were legally adopted. The original budget adopted for the General fund was modified throughout the year through various budget amendments.

The budget document presents information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the department level. The Township was in compliance with statutory provisions of the Act.

NOTE 3 - DEPOSITS AND INVESTMENTS

At year-end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>
Cash and Cash Equivalents - Unrestricted	\$ 319,303	\$ 2,478
Total	<u>\$ 319,303</u>	<u>\$ 2,478</u>

Deposits and investment components are as follows:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>
Bank Deposits (checking and savings accounts, certificates of deposit)	\$ 615	\$ 15
Money Markets	<u>318,688</u>	<u>2,463</u>
Total	<u>\$ 319,303</u>	<u>\$ 2,478</u>

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Statutory Authority:

Michigan Law (Public Act 20 of 1943 as amended) authorizes the Township to deposit and invest in one or more of the following:

- a. Bond, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution that is eligible to be a depository of funds belonging to the State under a law or rule of this State or the United States.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in a.
- e. Banker's acceptance of United States banks.
- f. Obligations of this State or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the investment company act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- h. Obligation described in a. through g. if purchased through an interlocal agreement under the urban cooperations act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- i. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118.
- j. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

The Township's deposits and investment policy are in accordance with statutory authority.

At year-end, the carrying amount of the Township's primary and fiduciary deposits was \$630 and the bank balance was \$2,468. Of the bank balance, \$2,468, or 100%, was covered by federal depository insurance according to FDIC regulations.

These deposits are in various financial institutions in varying amounts. All accounts are in the name of the Township and specific funds. They are recorded in Township records at cost. Interest is recorded when the deposits mature or is credited to the applicable account.

NOTE 4 - RECEIVABLES

Receivables as of year-end for the government's individual major and nonmajor funds, are as follows:

	<u>General Fund</u>
Receivables:	
Due From State	\$ <u>12,228</u>
Net Receivables	\$ <u>12,228</u>

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the primary government for the current year was as follows:

Governmental Activities:	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets not being depreciated:				
Land	\$ <u>30,000</u>	\$ -	\$ -	\$ <u>30,000</u>
Subtotal	<u>30,000</u>	-	-	<u>30,000</u>
Capital assets being depreciated:				
Buildings	<u>215,000</u>	-	-	<u>215,000</u>
Subtotal	<u>215,000</u>	-	-	<u>215,000</u>

Lakefield Township, Michigan

Notes to Financial Statements
June 30, 2004

NOTE 5 - CAPITAL ASSETS (Continued)

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activities:				
Less accumulated depreciation for:				
Buildings	<u>184,375</u>	<u>875</u>	<u>-</u>	<u>185,250</u>
Subtotal	<u>184,375</u>	<u>875</u>	<u>-</u>	<u>185,250</u>
Net Capital Assets Being Depreciated	<u>30,625</u>	<u>(875)</u>	<u>-</u>	<u>29,750</u>
Capital Assets - Net of Depreciation	<u>\$ 60,625</u>	<u>\$ (875)</u>	<u>\$ -</u>	<u>\$ 59,750</u>

Depreciation expense was charged entirely to the activity of Health and Welfare.

NOTE 6 - RISK MANAGEMENT

Risk Management – The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The government was unable to obtain general liability insurance at a cost it considered to be economically justifiable. The Township joined together with other governments and created a public entity risk pool currently operating as a common risk management and insurance program. The township pays an annual premium to the pool for its general insurance coverage.

The Township continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The Township is unable to provide an estimate of the amounts of additional assessments.

NOTE 7 - CHANGE IN ACCOUNTING PRINCIPLE:

Effective July 1, 2003, the Township implemented several new accounting standards issued by GASB:

Statement No. 33, Accounting and Financial Reporting for Non-Exchange Transactions, as amended by Statement No. 36, Recipient Reporting for Certain Shared Non-Exchange Revenues, which establishes standards for recording non-exchange transactions on the modified accrual and accrual basis of accounting.

NOTE 7 - CHANGE IN ACCOUNTING PRINCIPLE: (Continued)

Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments, as amended by Statement No. 37, Basic Financial Statements – Management’s Discussion and Analysis – for State and Local Governments Omnibus, which established new financial reporting standards for state and local governments. This statement requires significant change in the financial reporting model used by local governments, eliminating account groups and utilizing full accrual basis of accounting and the economic resources measurement focus. Another significant change is the Management’s Discussion and Analysis Section, which provides an overall analysis of the financial position and results of operations and conditions that could have significant effect on the financial position or results of operations.

Statement No. 38, Certain Financial Statement Note Disclosures, which requires certain note disclosures when implementing GASB Statement 34.

Required Supplemental Information

Lakefield Township, Michigan

Required Supplemental Information Budgetary Comparison Schedule General Fund Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance- Favorable (Unfavorable)
REVENUES:				
Taxes	\$ 42,600	\$ 42,300	\$ 40,530	\$ (1,770)
State Sources	60,000	70,000	84,056	14,056
Charges for Services	7,000	10,200	7,194	(3,006)
Interest	5,500	6,000	3,758	(2,242)
Other Revenue	700	1,000	13,139	12,139
TOTAL REVENUES	115,800	129,500	148,677	19,177
EXPENDITURES:				
LEGISLATIVE				
Township Board	15,000	15,000	14,028	972
GENERAL GOVERNMENT				
Supervisor	8,000	8,000	6,580	1,420
Assessor	13,500	13,500	10,278	3,222
Clerk	8,500	8,500	6,349	2,151
Board of Review	1,500	1,500	1,082	418
Elections	2,500	2,500	525	1,975
Treasurer	14,750	15,000	14,956	44
Cemetery	7,000	7,000	4,380	2,620
Buildings and Grounds	12,000	12,000	8,510	3,490
Other	1,250	3,250	1,500	1,750
Total General Government	69,000	71,250	54,160	17,090
PUBLIC SAFETY				
Fire Protection	10,000	15,000	11,500	3,500
HEALTH AND WELFARE				
Ambulance	500	500	-	500
PUBLIC WORKS				
Highways and Streets	9,000	11,500	14,019	(2,519)
Highway Construction	25,000	25,000	-	25,000
Sanitation	4,000	4,000	2,639	1,361
Total Public Works	38,000	40,500	16,658	23,842
CAPITAL OUTLAY	10,000	10,000	4,290	5,710
TOTAL EXPENDITURES	142,500	152,250	100,636	51,614
EXCESS OF REVENUES OVER EXPENDITURES	\$ (26,700)	\$ (22,750)	48,041	\$ 70,791
FUND BALANCE, JULY 1			276,545	
FUND BALANCE, JUNE 30			\$ 324,586	



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

PHILLIP J. WOLF, CPA, PRINCIPAL
SUE A. BOWLBY, CPA, PRINCIPAL
KENNETH A. TALSMA, CPA, PRINCIPAL
DEANNA J. MAYER, CPA

MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

REPORT TO MANAGEMENT

Members of the Board of Trustees
Lakefield Township
McMillan, Michigan

We have audited the basic financial statements of the Lakefield Township, Michigan for the year ended June 30, 2004, and have issued our reports thereon dated October 29, 2004. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with the cash basis of accounting. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Lakefield Township, Michigan. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of the accounting policies and their application. The significant accounting policies used by the Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into by the Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus. The Township implemented GASB Statement #34 as of July 1, 2003.

Accounting Estimates

Accounting estimates are an integral part of the basic financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the basic financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Our conclusions regarding the reasonableness of the estimates are based on reviewing and testing the historical data provided by management and using this data to compute the liability.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the basic financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Township's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Township, either individually or in the aggregate, indicate matters that could have a significant effect on the Township's financial reporting process.

Disagreement with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether significant or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the basic financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about accounting and auditing matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Township's basic financial statements or a determination of the type of auditors' opinion to be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in the performance of our audit.

Comments and Recommendations

Capital Assets

A policy is needed that specifies a threshold for capitalizing fixed assets. Usually all individual fixed assets over the amount of \$5,000 and a useful life of more than one year are capitalized and placed on the Township's fixed asset inventory listing. We recommend such a policy.

Conflict of Interest Policy

The Township currently does not have a conflict of interest policy in place. This policy would provide direction/guidance for the Trustees, Elected Officials, and employees relating to events or transactions that either are or could appear to be conflicts of interest.

Management's Discussion and Analysis

The Township has not presented the Management's Discussion and Analysis information that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the basic financial statements. We recommend that the Township strive to report this information in future financial statements.

Conclusion

We would like to express our appreciation, as well as that of our staff, for the excellent cooperation we received while performing the audit. If we can be of assistance in implementing any of the above recommendations, please contact us.

This report is intended solely for the information and use of the Township Board, the cognizant audit agencies and other federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties.



Anderson, Tackman & Company, PLC
Certified Public Accountants

October 29, 2004